



U.S. Department
of Transportation

**Federal Highway
Administration**

Washington Division

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HDA-WA/301

Mr. Douglas B. MacDonald
Secretary of Transportation
Department of Transportation
Olympia, Washington

FY2005 Performance Report

Dear Mr. MacDonald:

The Washington Division of the Federal Highway Administration (FHWA) is responsible for stewardship and oversight of the federal-aid highway funds allocated to the State of Washington. Your agency, the Washington State Department of Transportation (WSDOT), is the state agency responsible for delivering these federal-aid funds. Annually hundreds of millions of dollars of federal highway aid flow into Washington State. In federal fiscal year (FY) 2005 (October 1, 2004 – September 30, 2005), Washington State obligated \$483,591,588.16 in formula and discretionary federal-aid funds. These funds are used to improve mobility and safety and reduce congestion through the construction of new roads and bridges, as well as the enhancement and preservation of existing infrastructure. Approximately 40 percent (\$192,618,047.78) of those federal highway funds were obligated by cities and counties for road projects during federal FY2005.

Annually, we conduct project inspections, program evaluations, systematic reviews, and financial audits of WSDOT and cities and counties. For FY2005 we conducted numerous reviews of WSDOT's procedures and practices in project development and implementation. Following are the reviews and audits conducted and a brief synopsis of the findings. The full reports are available in our office.

National Bridge Inspection Standards (NBIS) Review - The review conducted in June in the Southwest and Olympic Regions found that the overall bridge inspection program in Washington State met the requirements of the NBIS. Four areas in need of improvement were identified. These were discussed with your staff and resolved. Three commended practices were identified—most notable was WSDOT's video bridge deck inspection program for heavily traveled urban freeways which results in significant decreases in congestion and increased safety while maintaining high quality inspections.

DBE (Disadvantaged Business Enterprise) Program Management Review - We collaborated with your staff to review the certification activities performed by the Uniform Certification Program (UCP) Office of Minority & Women's Business Enterprises (OMWBE) with which WSDOT has contracted to perform the certification duties. A few areas in need of improvement were identified. We have discussed these opportunities to strengthen the program with your staff. Overall the review found that certification activities are being performed in an acceptable manner in accordance with 49 CFR Part 26.



Consultant Agreements Review - This was a review of WSDOT's and local agency procedures for administering consultant agreements. It was found that both Highways & Local Programs and WSDOT's Consultant Services Office have well documented detailed manuals on the administration for consultant agreements. We have concluded that administration of consultant agreements at both the State and local agency level is in conformance with approved, written procedures.

Construction Inspections - We conducted 49 construction inspections of highway projects throughout the state—the vast majority of them on state projects. These construction inspections on projects of various types and sizes found that WSDOT and the local agencies are constructing federal-aid highway projects in reasonably close conformity with plans and specifications. Findings and recommendations for these projects were discussed and resolved with the appropriate Project Engineer and shared with your HQ Construction Office via hardcopies of the reports. We also noted in the inspection reports numerous instances where innovative construction techniques and good contract administration practices were being used.

Property Management Review - This review of WSDOT's Property Management program was conducted to determine if income from leasing is properly tracked and used for other highway projects. Specifically, the review also evaluated if fair market value (FMV) was being charged for those leases or if documentation was provided for leasing at less than FMV and if WSDOT was properly handling encroachments. The review did find that income is being properly tracked and used for other Title 23 (Highways) eligible projects.

Annual Regional Work Zone Reviews - We participated in four of these required statewide reviews of randomly selected construction project work zones conducted by your staff in the Northwest and South Central Regions. We found that overall WSDOT and its contractors meet federal work zone requirements. As in 2004 we noted a recurring issue with the use and removal of temporary pavement markings. We are going to conduct a review of striping removal this fiscal year.

Federal-Aid Billing Audit #1 - In January 2005, we reviewed WSDOT's September and October 2004 claims for reimbursements which amounted to \$139,844,937 for highway construction. In order to verify the validity of these charges, we conducted a review of State Project Engineer offices in the Northwest and Olympic regions. With two exceptions, contract records and documentation were sufficiently detailed and maintained in all offices visited. However, we found two instances (totaling \$23,622) where project personnel did not adhere to established management controls. Project records were promptly adjusted in both cases.

Federal-Aid Billing Audit #2 - We conducted a review at WSDOT HQs. Transactions for several offices were randomly selected from the September and October 2004 federal-aid billings. The types of transactions included work time charges, telephone charges, rent and lease of property, and travel and training costs. Overall, we found that contract documentation was adequate to support contract payment and subsequent federal reimbursement for each of the offices reviewed. However, in two of the four offices there were incorrect charges billed. Project records were promptly adjusted and internal controls were strengthened to prevent similar occurrences in the future.

Utility Relocation Review - The purpose of this review was to investigate the federal eligibility of expenditures on WSDOT utility relocation projects. The review of billing records and specific utility project files found that WSDOT's Utility Relocation Program is being handled by knowledgeable experienced staff and from our perspective is one of the lower risk operational areas within WSDOT. The WSDOT's current policies and procedures are consistent with federal regulations thereby allowing federal participation in the Utility Relocation Program.

Safety Considerations in Bridge Project Selections Review - This process improvement review was initiated to evaluate how the current process and procedures for the selection of bridge projects consider safety and recommend possible improvements to those processes. We found that crash data is currently

not being used by bridge program managers in the prioritization and selection processes for bridge projects although other considerations for overall structural safety are being appropriately addressed by the current bridge program. We recommended that WSDOT begin using the data currently available from its crash database as another consideration in the selection of State and local agency bridge projects. When we conducted our closeout with WSDOT Bridge and Highways & Local Programs staff they agreed to incorporate safety data in selecting and prioritizing bridge projects.

Project Delivery Review - The scope of this review was to capture recent activities related to the delivery of WSDOT projects. It was discovered that WSDOT had already developed a national reputation for being a leader in managing project delivery. Having anticipated the challenges of project delivery with the 5 cent gas tax in 2003 and a 9.5 cent gas tax in 2005, WSDOT acted quickly to the recommendations in the pre-audit of their Project Delivery and environmental processes and developed tools thus improving upon what was already a well respected program nationally.

Design Stewardship Reviews - These involved a performance review using WSDOT's Project Design Checklist to ensure sufficient design documentation, project file records, and adequate Plans, Specifications, and Estimate (PS&E) content for a group of federal-aid highway projects. Three reviews were conducted on projects in the Northwest, Olympic, and Eastern Regions. Based on the results of this review, these three WSDOT Regions comply with Title 23 requirements and the WSDOT/FHWA Stewardship standards.

Project Construction Costs Tracking - We began monitoring the difference in the contract award amount and the final cost for WSDOT federal-aid highway funded projects in FY2002. Our analysis for FY2005 shows a slight decrease in the final cost compared to the contract award amount on federal-aid projects. We find the data you reported in your Gray Notebook for the quarter ending June 30, 2005, for all (federal-aid and State funded) WSDOT construction projects are accurate and track closely with the data we have compiled.

Highway Performance Monitoring System (HPMS) Review - A field review of randomly selected routes in the North Central and Eastern Regions was conducted in September to verify data for the 33 sample sections. The review revealed some minor areas for improvement, but overall the data submission was accurate. As we did last year, we ask that WSDOT address developing and implementing an adequate policy and procedure for acquiring International Roughness Index (IRI) data on non-State owned facilities through the State's Planning and Research (SPR) Work Program. WSDOT also needs to continue to develop and refine their sample management procedures.

Truck Size & Weight Review - This annual review of WSDOT's operation is conducted to ensure the State enforces vehicle size and weight laws. This is done to assure that violations are discouraged and that vehicles traversing the highway system do not exceed the limits specified by law. Upon receipt of the Size & Weight Enforcement Plan from the Washington State Patrol (WSP) we work with their Commercial Vehicle Enforcement Section to ensure that the plan is adequate in scope and quantity of enforcement activity. This is then followed up by a yearly Certification of Size & Weight Enforcement from WSDOT's Motor Carrier Services. The certification and addendum were approved based on a stepped up enforcement plan by WSP for trucks hauling material for the SeaTac Airport Third Runway project.

Inactive Projects Over \$500,000 Audit - Annually FHWA runs a list of projects that have had no expenditure activity for one (1) year or more and an unexpended balance over \$500,000. This year, WSDOT had eight (8) projects on the list with an unexpended balance of \$12.1 million. With the assistance of your staff, we determined that valid obligations still existed on seven (7) of the eight (8) projects. The unexpended funds on the remaining project were reprogrammed for other highway purposes.

State Transportation Improvement Program (STIP) Review - This review is conducted annually to ensure the STIP is fiscally constrained. The FY2005-2007 STIP met the fiscal constraint requirement and was subsequently approved.

The following two reviews were also conducted with involvement from your staff:

Value Engineering (VE) Program Review - In February 2005, the US Department of Transportation's Office of the Inspector General (OIG) conducted a review of our Division office's oversight and stewardship of the VE program. Based on their review of other Divisions and State DOTs' OIG noted that WSDOT has a model VE program that other State DOTs should emulate.

Local Agency Scan Tour - The American Association of State Highway and Transportation Officials (AASHTO), National Association of County Engineers (NACE), and FHWA selected Washington as one of the states for a scan tour to gather good practices on safety features being incorporated into local agency resurfacing projects. The scan team was impressed with the implementation and incorporation of safety features into these projects and will share this information with other states and local agencies.

We would also like to commend you and your staff for **posting travel times on dynamic message signs** in the Puget Sound area and at the border. This is one more way of responding to the needs of the traveling public to help them deal with congestion and improve their travel time reliability.

In addition to the above mentioned specific program oversight and review activities my staff has specific project involvement responsibilities, as well. Each and every one of the 267 federal-aid highway projects authorized for construction in FY2005 required FHWA involvement through our approval of the environmental document. Per WSDOT and FHWA's Stewardship Agreement we also had project specific design, right-of-way, and construction involvement on many Interstate and major/unique projects under development and construction in Washington State. Therefore, I make the following finding:

Finding - Based on the inspections, reviews, program evaluations, audits, and specific project involvement conducted in FY2005, it is my finding that WSDOT has complied with federal laws and regulations in expending the federal-aid highway funds allocated to the State of Washington.

If you have any questions or need further information please feel free to contact me at (360) 753-9480.

Sincerely,

DANIEL M. MATHIS, P.E.
Division Administrator

Cc: Dan O'Neal, Washington State Transportation Commission Chair
Christine Johnson, Director of Field Services-West
Mary Margaret Haugen, Chair, Senate Transportation Committee
Dan Swecker, Ranking Minority Member of Senate Transportation Committee
Ed Murray, Chair, House Transportation Committee
Beverly Woods, Ranking Minority Member of House Transportation Committee

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